

CITIZENS FINANCIAL CORP /KY/  
Form 8-K  
December 28, 2006

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549**

**FORM 8-K**

**CURRENT REPORT**

Pursuant To Section 13 Or 15(D) Of The Securities Exchange Act Of 1934

Date of Report (Date of earliest event report) **December 28, 2006**

**CITIZENS FINANCIAL CORPORATION**  
(Exact name of registrant as specified in its charter)

**KENTUCKY**  
(State of incorporation)

**0-20148**  
(Commission File Number)

**61-1187135**  
(IRS Employer  
Identification No.)

**12910 SHELBYVILLE ROAD**  
**LOUISVILLE, KENTUCKY 40243**  
(Address of principal executive offices)

Registrant's telephone number, including area code: **(502) 244-2420**

**Not Applicable**

Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

## Section 1 - Registrant's Business and Operations

### Item 1.01. Entry into a Material Definitive Agreement.

On December 28, 2006, the Registrant borrowed \$200,000 on a subordinated basis from Darrell R. Wells, an executive officer, director and shareholder of the Registrant. These funds are to be used for working capital purposes, including commercial bank debt service, and to permit maintaining the Registrant's existing investment portfolio and other liquidity. The loan is unsecured and has a maturity of June 30, 2007. Initially, the loan bears interest at nine and one-quarter percent (9.25%) per annum payable on the first day of each calendar quarter (beginning January 1, 2007). The rate will adjust on each interest payment date so as to equal the greater of six percent (6%) or one percent (1%) over its bank lender's prime rate on that date. Pursuant to a subordination agreement required by the bank lender, the Registrant will not be permitted to pay principal on the loan except with the approval of the bank lender or to pay interest on the loan at any time a default exists under its loan from the bank lender or certain agreements between Mr. Wells and the bank lender. The Registrant's failure to make a payment to Mr. Wells that is prohibited by the subordination agreement will not constitute a default under the loan from Mr. Wells. Subject to the subordination agreement, upon a default, Mr. Wells may, at his option, accelerate the entire principal balance of and all accrued interest on the loan and increase the rate of interest applicable to the entire unpaid principal balance of the loan by four percent (4%).

This loan is on the same terms, in all material respects, as a \$4,000,000 loan from Mr. Wells to the Registrant made pursuant to an Amended, Consolidated and Restated Promissory Note dated March 23, 2006, a \$360,000 loan from Mr. Wells to the Registrant dated March 29, 2006, a \$400,000 loan from Mr. Wells to the Registrant dated July 7, 2006 and a \$370,000 loan from Mr. Wells to the Registrant dated September 19, 2006, all of which loans, together with the loan from Mr. Wells to the Registrant made on December 28, 2006, were amended and consolidated on December 28, 2006 pursuant to the Second Amended, Consolidated and Restated Promissory Note attached hereto as Exhibit 10.36. A copy of the Amended, Consolidated and Restated Promissory Note was filed as Exhibit 10.29 to the Registrant's Form 10-K for the year ended December 31, 2005, a copy of the promissory note for the March 29, 2006 loan was filed as Exhibit 10.30 to the Registrant's Form 8-K dated as of such date, a copy of the promissory note for the July 7, 2006 loan was filed as Exhibit 10.32 to the Registrant's Form 8-K dated as of such date, and a copy of the promissory note for the September 19, 2006 loan was filed as Exhibit 10.34 to the Registrant's Form 8-K dated as of such date.

Mr. Wells is the Registrant's principal shareholder, chairman of its Board of Directors, and President and Chief Executive Officer.

A copy of the Second Amended, Consolidated and Restated Promissory Note, which also evidences the loan from Mr. Wells to the Registrant made on December 28, 2006, is attached hereto as Exhibit 10.36 and incorporated by reference herein.

**Section 2 - Financial Information**

**Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of the Registrant.**

(a) On December 28, 2006, the Registrant borrowed \$200,000 on a subordinated basis from Darrell R. Wells, an executive officer, director and shareholder of the Registrant. The loan is unsecured and has a maturity of June 30, 2007.

See the disclosures under Item 1.01 above for the other material terms of the loan from Mr. Wells.

**Section 9 - Financial Statements and Exhibits**

**Item 9.01. Financial Statements and Exhibits.**

**(c) Exhibits**

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
<b>10.36</b>	<b>Second Amended, Consolidated and Restated Promissory Note (\$5,330,000) to Darrell R. Wells dated as of December 28, 2006</b>

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Citizens Financial Corporation  
Registrant

Date: December 28, 2006

By: /s/ Len E. Schweitzer  
Vice

President and

Chief

Financial Officer

**INDEX TO EXHIBITS**

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